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**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2081, S.D. 2

**April 5, 2022
1:30 p.m.
Room 308 and Videoconference**

**RELATING TO THE DEPARTMENT OF EDUCATION COMMERCIAL ENTERPRISES
REVOLVING FUND**

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 2081, S.D. 2, establishes the Department of Education (DOE) Commercial Enterprises Revolving Fund for funds to be expended in the operation of commercial enterprises by the DOE and appropriates an unspecified sum of general funds for FY 23 for deposit into the revolving fund.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving Funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or

activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 2081, S.D. 2, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Additionally, B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working

with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 04/05/2022
Time: 01:30 PM
Location: 308 Via Videoconference
Committee: House Finance

Department: Education

Person Testifying: Interim Superintendent Keith Hayashi
Hawaii State Department of Education

Title of Bill: SB 2081, SD2 RELATING TO THE DEPARTMENT OF
EDUCATION COMMERCIAL ENTERPRISES REVOLVING
FUND.

Purpose of Bill: Establishes the Department of Education Commercial Enterprises
Revolving Fund for funds to be expended in the operation of
commercial enterprises by the Department of Education. Makes
an appropriation into the revolving fund. Effective 7/1/2050.
(SD2)

Department's Position:

The Hawaii State Department of Education (Department) supports SB 2081, SD2, which establishes the commercial enterprise revolving fund.

The Department supports opportunities for students to participate in commercial enterprises in their schools. Commercial enterprises provide students with the hands-on and real-world experiences that are critical to post-secondary or workforce success. The generated revenues support various programs within schools and ensure the sustainability of commercial enterprise efforts. The restrictions on the intake and distribution of funds in schools are a challenge when implementing a commercial enterprise. SB 2081, SD2, along with SB 3091, SD2, HD1, will remove the barriers that hinder the effectiveness and progression of commercial enterprises, thereby providing more schools with the opportunity to create and implement commercial enterprises with fidelity.

Thank you for the opportunity to provide testimony in support of this measure.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Tuesday, April 5, 2022, at 1:30 P.M.
Conference Room 308 & Via Videoconference**

RE: SB 2081 SD2 Relating to the Department of Education Commercial Enterprises Revolving Fund

Chair Luke, Vice Chair Yamashita, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2081 SD2, which Establishes the Department of Education Commercial Enterprises Revolving Fund for funds to be expended in the operation of commercial enterprises by the Department of Education. Makes an appropriation into the revolving fund.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

SB 2081 will help the Department of Education monetize its facilities and create a better return on investment for taxpayers. School facilities are oftentimes the meeting place for communities and can be used for entertainment and other events. For example, the Hawaii Symphony Orchestra performed at the new theatre at Moanalua High School which generated revenue for the school.

These professional organizations that use school facilities bring in much needed rental income that can help fix and maintain facilities. By creating the Commercial Enterprises Revolving Fund for the Department of Education, it would help alleviate the costs on taxpayers and continue to generate revenue for schools.

Thank you for the opportunity to testify.